

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 SSO-00 INR-05 INRE-00
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C O N F I D E N T I A L ANKARA 1983

LIMDIS

E.O. 11652: GDS
TAGS: BDIS, EFIN, ENRG, TU
SUBJ: GOT THREAT TO CANCEL MOBIL REFINING CONCESSION

REF: ISTANBUL 9718 (NOTAL)

SUMMARY: TURKISH MINISTRY OF ENERGY HAS REJECTED
MOBIL'S PROTEST REGARDING GOT THREAT (REFTEL) TO CANCEL
COMPANY'S PERMISSION TO REFIN. MINISTRY REPEATED
DEMAND THAT COMPANY CONTINUE TO SUPPLY ITS FULL SHARE
OF FEEDSTOCK TO ATAS REFINERY ON BASIS OF PAYMENT
AT SOME INDETERMINATE TIME IN FUTURE. MANAGER OF
MOBIL TURKEY INTENDS TO TAKE CASE TO MINISTER OF
ENERGY AND EVENTUALLY TO PRIME MINISTER, BUT IS NOT
OPTIMISTIC THAT COMPANY WILL SUCCEED IN EFFORTS TO OBTAIN RE-
SOLUTION OF PROBLEM. IT IS POSSIBLE THAT MOBIL'S REFINING
CERTIFICATE WILL BE LIFTED AND ITS ASSETS AT ATAS TAKEN
OVER BY GOT AT BOOK VALUE, AND THAT ITS RELATED AC-
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TIVITIES WILL CONSEQUENTLY GRIND TO A HALT FOR LACK OF
PRODUCT TO MARKET. COMPANY HAS NOT REQUESTED EMBASSY
INTERCESSION, BUT AGREES TO LOW-LEVEL EMBASSY INQUIRY TO GOT AS
TO FACTS OF CASE AS SEEN BY TURKS. END SUMMARY.

1. FOLLOWING HIS VISIT TO TURKISH PETROLEUM ADMINISTRA-
TION IN ANKARA ON MARCH 14, WHERE HE WAS INFORMED OF

REJECTION OF MOBIL PROTEST, MARC CASANOVA, MANAGER, MOBIL COMPANIES IN TURKEY, BRIEFED AMBASSADOR AND EMBOFFS ON STATUS OF CASE. HE SAID REFINERY SIDE OF MOBILE TURKEY WAS IN SUCH STRAITS THAT "IT MIGHT NOT BE ABLE TO MEET NEXT MONTHS'S PAYROLL." CUMULATIVE LOSSES DUE TO GOT FAILURE TO ADJUST REFINING MARGIN FOLLOWING QUINTUPLING OF IMPORTED CRUDE PRICES WERE ABOUT TL ONE BILLION (CURRENTLY \$40 MILLION). ANOTHER TL 1.6 BILLION WAS TIED UP AT CENTRAL BANK AS TL EQUIVALENT DEPOSIT AGAINST PENDING APPLICATIONS FOR TRANSFER OF FOREIGN EXCHANGE, AND TURKS WERE REQUIRING ADDITIONAL 30 PERCENT AS RESULT OF RECENT DEVALUATION. TURKS OWED JOBIL \$110 MILLION FOR CRUDE IMPORTS, \$80 MILLION OF WHICH WAS OVERDUE (MORE THAN THREE MONTHS OLD). COMPANY THEREFORE HAD NO CHOICE BUT TO INFORM PETROLEUM ADMINISTRATION (PA) THAT IT COULD NO LONGER SUPPLY CRUDE EXCEPT ON CASH BASIS AND UNTIL IT WAS INFORMED OF A FIRM SCHEDULE FOR REPAYMENT OF AMOUNTS OWED FOR PREVIOUS DELIVERIES.

2. CASANOVA SAID HE HAD BEEN PUT OFF SEVERAL TIMES SINCE INSTALLATION OF NEW GOVERNMENT ON GROUNDS THAT MORE PRESSING NATIONAL PROBLEMS REQUIRED ATTENTION BEFORE MOBIL'S CLAIMS COULD BE DEALT WITH. HE SAID HE HAD EXPRESSED UNDERSTANDING OF GOT'S PROBLEMS AND DID NOT EXPECT IMMEDIATE REPAYMENT OF ARREARS. HIS COMPANY
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DID WISH, HOWEVER, TO SEE TURKISH REPAYMENT SCHEDULE, WHICH HE SAID WOULD NOT INCLUDE INTEREST CHARGE, AND MUST REQUIRE CASH PAYMENT FOR FUTURE DELIVERIES. FAILING THIS, MOBIL HAD NO CHOICE BUT TO SUSPEND PURCHASE OF FEEDSTOCKS. IN RESPONSE, CASANOVA SAID, TURKS HAD CHARGED COMPANY WITH BAD FAITH, REPEATED DEMAND THAT ATAS REFINERY BE RETURNED TO FULL CAPACITY OPERATION AND WARNED THAT 90-DAY PERIOD PREVIOUSLY REFERRED TO WAS RUNNING, AFTER WHICH MOBIL ASSETS AT REFINERY WOULD BE TAKEN OVER AT BOOK VALUE (ONLY A FRACTION OF CURRENT MARKET VALUE). CASANOVA SAID THAT, ALTHOUGH HE INTENDED TO TAKE MATTER TO MINISTER OF ENERGY AND TO PRIME MINISTER, COMPANY WAS PREPARED TO MEET THIS EVENTUALITY. IF IT STOPPED REFINING COMPLETELY, OF COURSE, IT WOULD HAVE NO PRODUCT TO MARKET AND DISTRIBUTION SIDE OF ITS ACTIVITIES (WHICH IS CURRENTLY IN RELATIVELY GOOD SHAPE) WOULD ALSO QUICKLY CEASE OPERATIONS.

3. IN REPLY TO EMBASSY INQUIRY, CASANOVA SAID HE WAS NOT REQUESTING EMBASSY INTERCESSION. HE HAD NO OBJECTION, HOWEVER, TO A LOW-KEY INQUIRY ON EMBASSY'S PART TO APPROPRIATE GOT OFFICIALS IN EFFORT TO OBTAIN TURKISH VER-

SION OF DISPUTE.

4. COMMENT: ALTHOUGH WE HAVE NO REASON TO DOUBT CASANOVA'S ACCOUNT OF PROBLEM, AMBASSADOR BELIEVES IT WOULD BE PRUDENT TO APPROACH TURKS IN LOW-KEY FASHION SIMPLY TO OBTAIN FACTS AS SEEN BY THEM. ON BASIS OF PRESENT INFORMATION, HOWEVER, WE MAY BE FACED WITH MESSY INVESTMENT DISPUTE AT INOPPORTUNE TIME. WE HAVE NO DOUBT THAT TURKISH PAYMENTS ARE SUCH THAT THEY CANNOT DFIND THE FOREIGN EXCHANGE WITH WHICH TO MEET ARREARAGES TO MOBIL, IN SPITE OF FACT THAT CRUDE IMPORTS HAVE FIRST PRIORITY CLAIM ON AVAILABLE HARD CURRENCY. (THERE IS POSSIBILITY, HOWEVER, THAT MOBIL MAY CLAIM IT IS BEING DISCRIMINATED AGAINST SINCE IT IS NOT BEING PAID FOR
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CRUDE IT HAS PURCHASED ON TURKS' BEHALF WHILE TURKISH ORGANIZATION, PETROL OFISI, APPARENTLY IS.) WE ARE SEEK-
ING APPROPRIATE MOMENT TO MAKE INQUIRIES IN TURKISH GOVENMENT AND
WILL REPORT.
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